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## Australia

## Oilseeds and Products

## Canola Update

## 2003

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### Report Highlights:

**Australia's 2003/04 canola crop is forecast at 1.35 million metric tons (MMT), more than double the drought-reduced level of the previous year. Conditions for planting the 2003/04 canola crop have been mixed. Australia's canola exports in 2003/04 are projected at 1.0 MMT, up more than three fold from a year earlier. The pending regulatory approval of biotech canola has led to considerable debate in Australia, and has led to moves by the states to restrict its commercial introduction.**

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## **Summary**

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## **Canola is Australia's Leading Oilseed Crop**

Australia's 2003/04 canola crop is forecast at 1.35 million metric tons (MMT), 117 percent higher than last season's drought-reduced level. Canola area in 2003/04 is projected at 1.05 million hectares, down from 1.19 million hectares in 2002/03. The average canola yield in 2003/04 is forecast at 1.29 MT/ha, roughly equivalent to a five-year average.

Planting conditions for the 2003/04 canola crop have thus far been mixed. Favorable rainfall has occurred in some major producing areas, which has allowed planting and early establishment of the crop. Other growing areas, however, are still struggling with prolonged dryness, which will delay planting, or result in switching to alternative crops. Canola requires more favorable planting and growing conditions than other competing winter-grown crops and is normally sown early in the season. Thus, if conditions are unfavorable, producers will often turn to competing crops, such as wheat and barley, which tend to be easier to establish and more adaptable to adverse conditions.

The Australian government's most recent projection of the 2003/04 canola crop is 2.025 MMT, which was contained in an ABARE publication released in February 2003. In this report, ABARE projected canola area in 2003/04 at 1.5 million hectares. ABARE is scheduled to release revised 2003/04 crop figures, including for canola, on June 10, 2003.

Australia's 2002/03 canola crop of 621,000 MT, the smallest since 1995/96, was sharply reduced by drought, which lowered area and cut average yields by 61 percent. Canola area in 2002/03 is estimated at 1.2 million hectares, which is 13 percent below the 1.36 million hectares of a year earlier. The national average canola yield in 2002/03 is estimated at only 0.52 MT/ha, the lowest level on record. In 2001/02, canola yields averaged 1.32 MT/ha, which is only slightly higher than the average of the five prior years.

Canola emerged as Australia's leading oilseed crop in the late 1990's. In 1990/91, Australia produced less than 100,000 MT of canola on 73,000 hectares. In 1999/2000, canola production reached a record level of 2.4 MMT, from an area of 1.9 million hectares. Canola now typically accounts for about two-thirds of Australia's total oilseed production. Most of Australia's canola crop is grown in the states of New South Wales,

Victoria, Western Australia, and South Australia (see Table #1). Australia's other major oilseed crop is cottonseed. Other oilseeds grown are sunflower, peanuts, safflower, soybeans and linseed.

### **Domestic Use and Exports of Canola**

Australia's canola exports in 2003/04 (Oct-Sep) are projected at 1.0 MMT, up sharply from the 300,000 MT expected to be exported in 2002/03. Japan, China, Pakistan, Bangladesh, and the European Union are Australia's major canola export markets. Australia's 2001/02 canola exports totaled 1.36 MMT, valued at A\$591 million (see table #3). Australia also exports some canola oil and relatively small quantities of canola meal.

Australia's canola exports jumped from nil in 1990/91 to a record 2.0 MMT in 1999/2000, tracking the longer-term rise in canola production.

Domestic use of canola typically averages about 300,000 to 400,000 MT. Of this amount, virtually all is destined for domestic crush. A minimal quantity of canola is for seed.

The Australian dollar depreciated considerably against the U.S. dollar beginning in the late 1980's. This trend has recently been reversed, with the Australian dollar appreciating about 30 percent against the U.S. dollar since October 2001. As exports are typically priced in U.S. dollars, the relative strength of the Australian dollar has reduced returns for canola exports.

### **Approval Pending for Biotech Canola; Australia's Regulatory System**

Australia's Gene Technology Regulator is in the final process of granting approval for the commercial release of biotech canola into the environment. The risk assessment for InVigor canola (Bayer CropScience Australia) has determined that the crop is safe for commercial release. Final approval is pending a period of public consultations that closed on May 26. Regulatory approval is still pending for another biotech canola variety -- Roundup Ready canola (Monsanto).

Biotech canola would be Australia's first major food crop to be approved for release into the environment. Cotton and carnations are the only other biotech crops that have been approved for commercial release. The pending approval of biotech canola has led to considerable debate in Australia.

The key component of Australia's regulatory framework for biotech canola, and other genetically modified organisms (GMOs), is the Commonwealth Gene Technology Act (2000), which came into effect in June 2001. The Act provides a system for scientific assessment, consultation, monitoring and review mechanisms, and stipulated penalties for non-compliance.

The Gene Technology Act also established an independent statutory officer, the Gene Technology Regulator, to implement the legislation. Under powers provided by the Act, the Regulator assesses proposed dealings with live and viable GMOs, ranging from contained work in laboratories to general releases of GMOs into the environment. Under the legislation, the Regulator also has extensive powers to monitor and enforce license conditions. The Act has been complemented by legislation by the states and territories.

The Gene Technology Regulator is supported by the Office of the Gene Technology Regulator (OGTR). OGTR has regulatory responsibility for assessing risks to human health and the environment from the commercial release of a biotech crop. When OGTR approves a biotech crop for commercial release, license conditions are established that manage identified risks to the environment. Under the regulatory framework, OGTR must consult with key groups and stakeholders in conducting their risk assessment and developing a risk management plan. These groups and stakeholders include the Minister of the Environment, the Gene Technology Technical Advisory Committee, among others. OGTR is part of the Therapeutic Goods Administration, which is in the Commonwealth Department of Health and Aging.

### **State Biotech Moratoriums will Impact the Introduction of Biotech Canola**

The pending regulatory approval of biotech canola has caused considerable debate, and some actions, by Australia's states to restrict plantings in their jurisdictions. Several states have taken actions, or are contemplating actions, that would override the licenses that would be granted for biotech canola. To date, New South Wales, South Australia, Victoria, Western Australia, and Tasmania have announced moratoriums or have moved to delay the commercial release of biotech food crops, including canola, in their jurisdictions. Queensland remains the only major crop producing state that has not moved to restrict biotech crops.

A major concern regarding the release of biotech canola is the potential impact on producers of "conventional" canola and other crops, and Australia's commercial interests, particularly exports to the European Union and, to a lesser extent, Japan and China. Studies are currently being conducted on the feasibility of segregating biotech and non-biotech canola and other crops in the domestic marketing chain. There is also considerable debate on who might pay for establishing a segregation or identity preservation system for biotech canola.

Given the trepidation concerning the commercial release of biotech canola, and the moves by the states to restrict its introduction, it is doubtful that widespread plantings will occur in any of the major producing states for the next couple of seasons.

**Table #1****AUSTRALIA: Canola Area, Yield & Production, by State**

	<b>NSW</b>	<b>Vic.</b>	<b>WA</b>	<b>SA</b>	<b>Total</b>
<b>Area (Tha)</b>					
1994/95	153	75	104	25	356
1995/96	170	76	99	30	377
1996/97	173	92	107	36	408
1997/98	270	117	248	63	698
1998/99	372	205	536	132	1247
1999/00	523	283	909	200	1917
2000/01	507	255	535	160	1459
2001/02	536	247	409	170	1364
2002/03	400	250	400	140	1190
2003/04 (f)	270	230	400	150	1050
<b>Yield (MT/ha)</b>					
1994/95	0.48	0.76	1.04	1.04	0.74
1995/96	1.60	1.58	1.18	1.60	1.48
1996/97	1.91	1.43	1.01	1.47	1.53
1997/98	1.34	1.16	1.09	1.40	1.23
1998/99	1.67	1.25	1.15	1.46	1.36
1999/00	1.53	1.40	1.09	1.19	1.27
2000/01	1.54	1.57	0.70	1.34	1.22
2001/02	1.35	1.46	1.09	1.56	1.32
2002/03	0.23	0.40	0.71	1.03	0.52
2003/04 (f)	1.50	1.35	1.06	1.38	1.29
<b>Prod. (TMT)</b>					
1994/95	73	57	108	26	264
1995/96	272	120	117	48	557
1996/97	331	132	108	53	624
1997/98	362	136	270	88	856
1998/99	623	257	615	193	1690
1999/00	800	397	989	238	2426
2000/01	783	400	375	215	1775
2001/02	725	360	445	265	1797
2002/03	90	100	285	144	621
2003/04(f)	405	310	425	207	1350

Source: Australian Bureau of Agriculture and Resource Economics (ABARE), Australian Bureau of Statistics (ABS), and FAS/Canberra.

**Table #2****AUSTRALIA: Canola Production, Exports and Use**

<b>Year</b>	<b>Other Oilseed Prod.</b>	<b>Canola Prod.</b>	<b>Canola Exports</b>	<b>Canola Dom. Use</b>	<b>Canola Crush</b>
<b>million MT</b>					
1997/98	1.14	0.86	0.56	0.32	0.31
1998/99	1.40	1.69	1.36	0.36	0.35
1999/00	1.38	2.43	2.03	0.37	0.36
2000/01	1.30	1.78	1.39	0.42	0.41
2001/02	1.18	1.80	1.36	0.40	0.39
2002/03	0.62	0.62	0.30	0.32	0.31
2003/04(f)	0.77	1.35	1.00	0.40	0.39

Source: ABARE, ABS and FAS/Canberra.

Notes: The canola marketing year is October-September. Total other oilseed includes cottonseed, sunflower, linseed, peanuts, safflower and soybean.

**Table #3****AUSTRALIA: 2001/02 Canola Exports (Oct-Sep)**

<b>Destination</b>	<b>Value (Mil A\$)</b>	<b>Volume (TMT)</b>
Japan	198	446
China	158	386
Pakistan	136	307
Bangladesh	51	115
UK	27	62
India	12	25
Malaysia	8	17
Others	1	2
Total	591	1,360

Source: ABS.